

Town of Wake Forest

SunTrust Site Redevelopment

Market Analysis and Guiding Public Interests



UNC
SCHOOL OF GOVERNMENT

June 18, 2019

Agenda

- Project Overview
- Market Analysis Summary
- Guiding Public Interests
- Next Steps

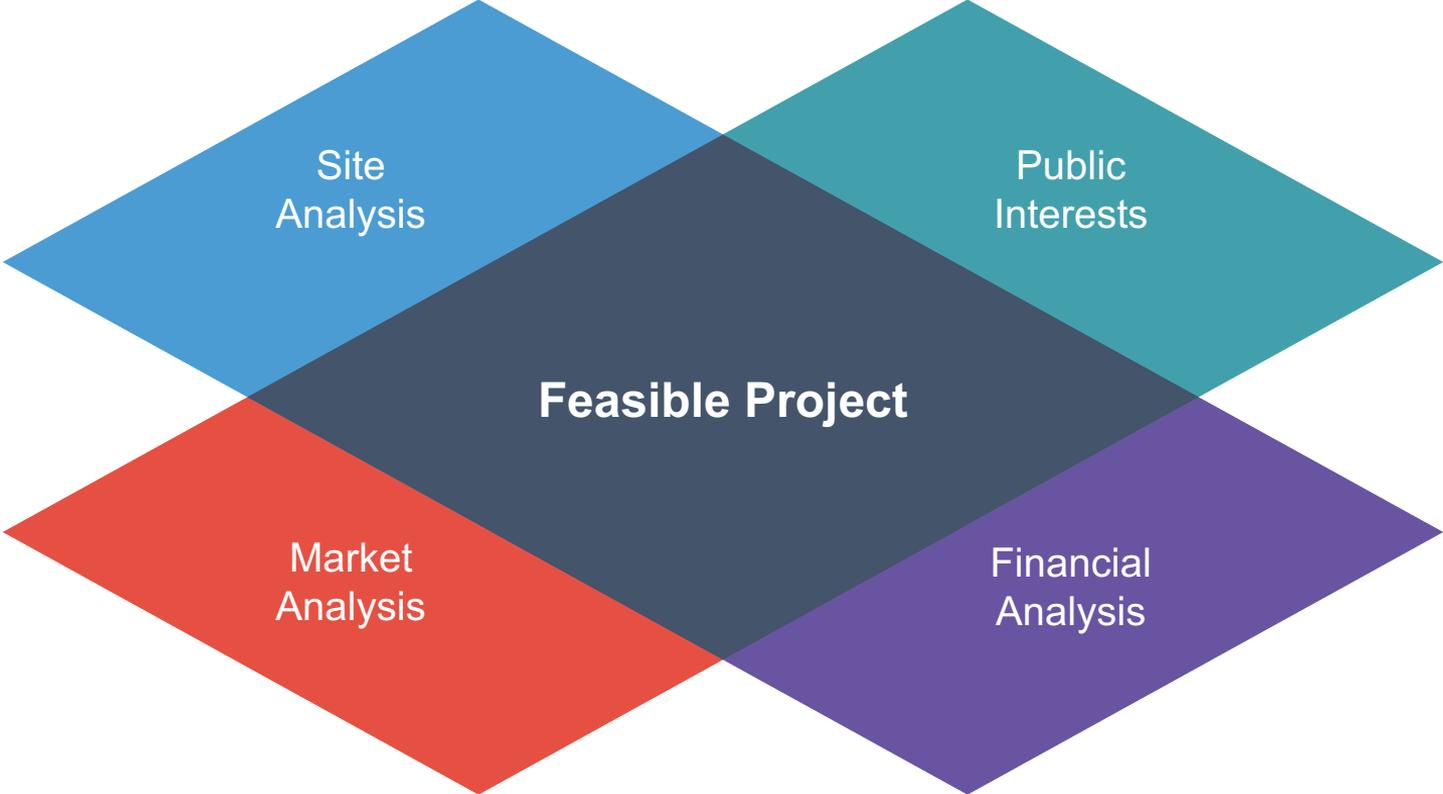
DFI Engagement

In December 2018, the Town engaged the Development Finance Initiative (DFI) to assist with attracting private investment for redevelopment of the former SunTrust building site in downtown.

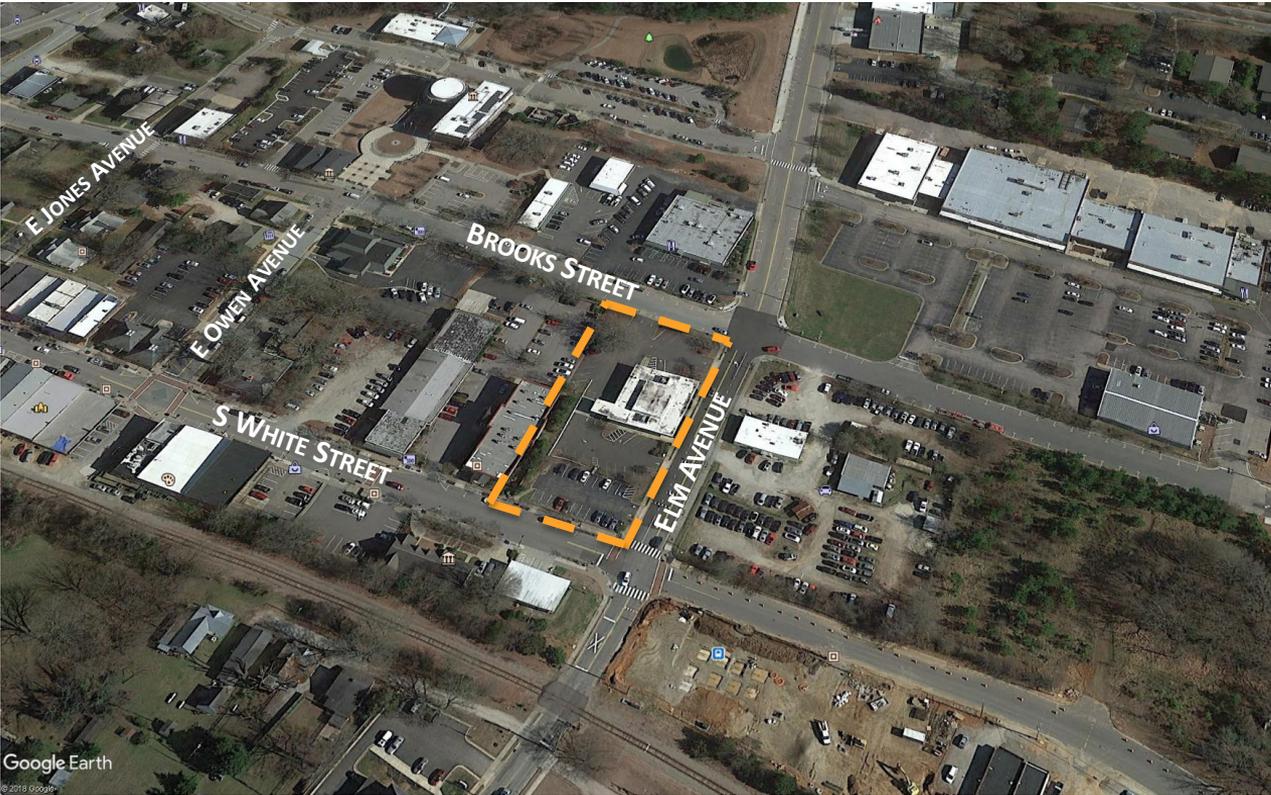
The scope of work includes:

1. DFI pre-development process
2. Solicitation of private development partner
3. Assist with negotiations of a development services agreement with selected partner

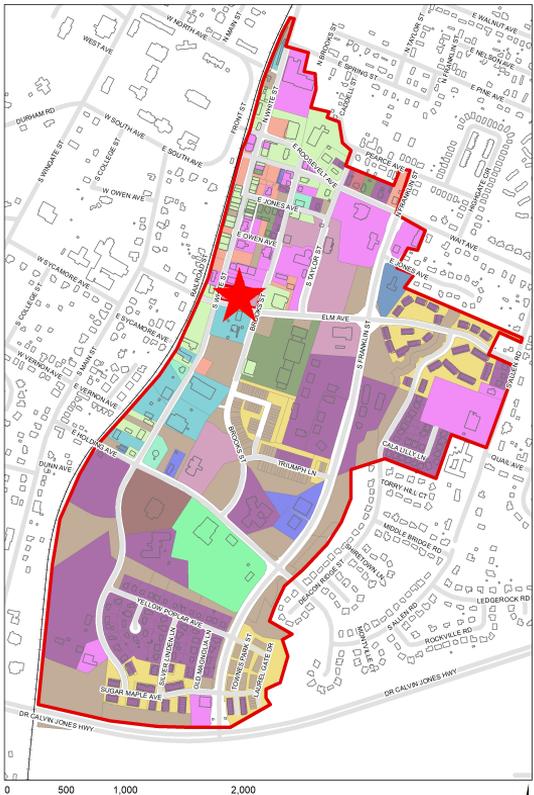
DFI Pre-Development Process



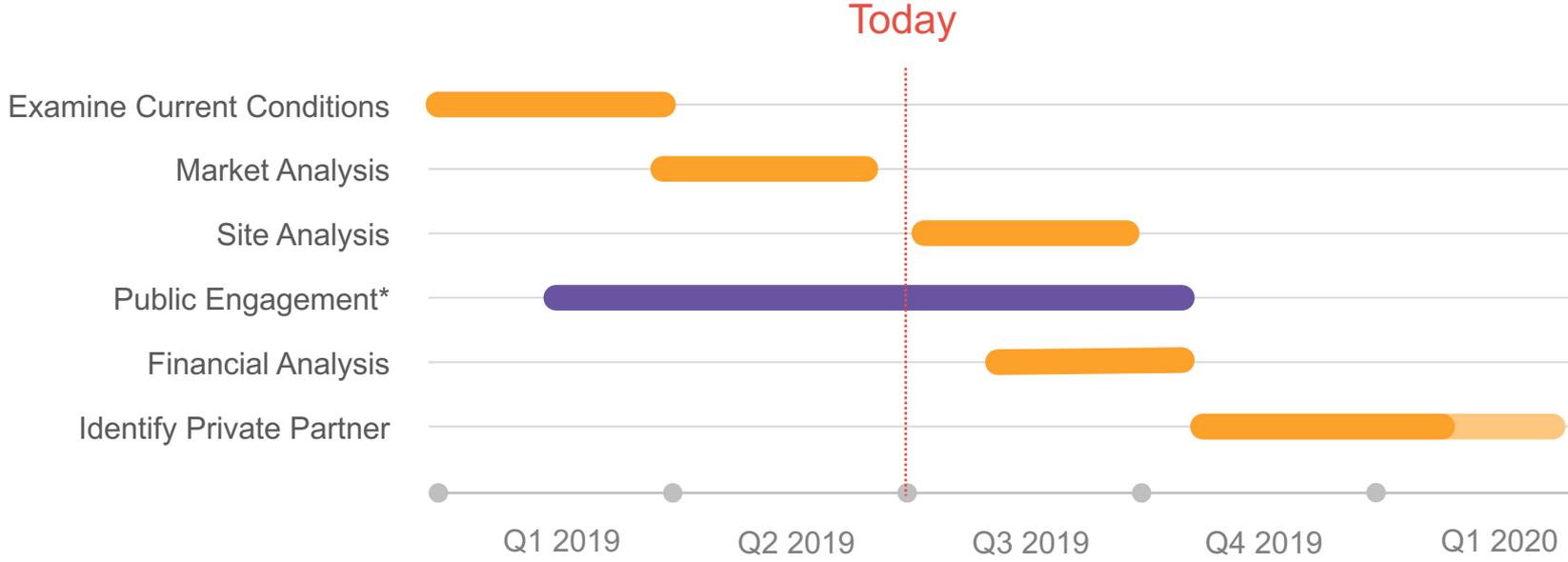
SunTrust Redevelopment Site



Wake Forest- Downtown Suntrust- Land Use



Detailed Pre-Development Timeline



*Public engagement varies. Timing to be determined following completion of early phase analysis and discussions with City staff.

Note: Timeline subject to change based on type and scale of public interest process as well as response during private partner outreach.

Market Analysis Summary

Market Analysis Process

DFI studied the existing conditions in downtown Wake Forest and analyzed key market indicators to understand demand for market-rate multifamily apartments, retail, and office development.

Each market feasibility analysis by use includes:

1. Definition of market/trade area
2. Analysis of current market conditions
3. Analysis of demand drivers
4. Estimates of future growth based on projections of historical trends and downtown capture rates

Wake Forest Retail Trade Area



137,000

Daytime Population

29,000

Total Households

2018: 29K → 2023: 34K
2.7% increase per year

\$23,000

**Avg. Household
Retail Spending**



3.7M ↑

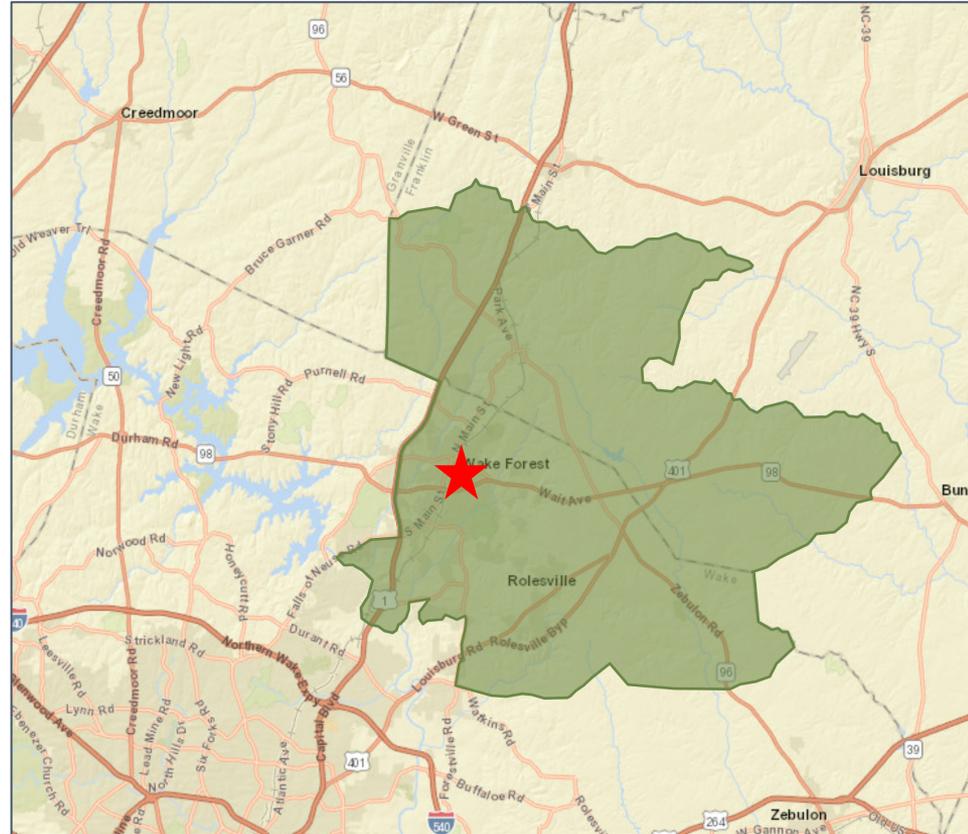
**Total Square
Feet**

1.0% ↓

Vacancy Rate

\$17.30 ↑

**Median Rent
NNN/Per Square
Foot**



Retail Demand in Downtown Wake Forest

Retail Demand	Trade Area	Downtown*
Current demand @ stable vacancy (SF)**	240K	23K
Projected new demand by 2023 (SF)***	440K	42K
Total Retail Demand (SF)	680K	65K

Demand for 20% more Retail Space in Downtown

*Downtown historically captured 9.5% of retail space in trade area

**Wake Forest retail market severely constrained at 1% vacancy. A stable vacancy is roughly 7%.

***Based on an estimated 4,400 new households in trade area by 2023.

Downtown Retail Supply Pipeline



No New Retail Built in Downtown Since '08*

Net Unmet Downtown Retail Demand

65,000 sf

Total Downtown
Retail Demand

- **23,400 sf**

Downtown Retail Supply
in Pipeline

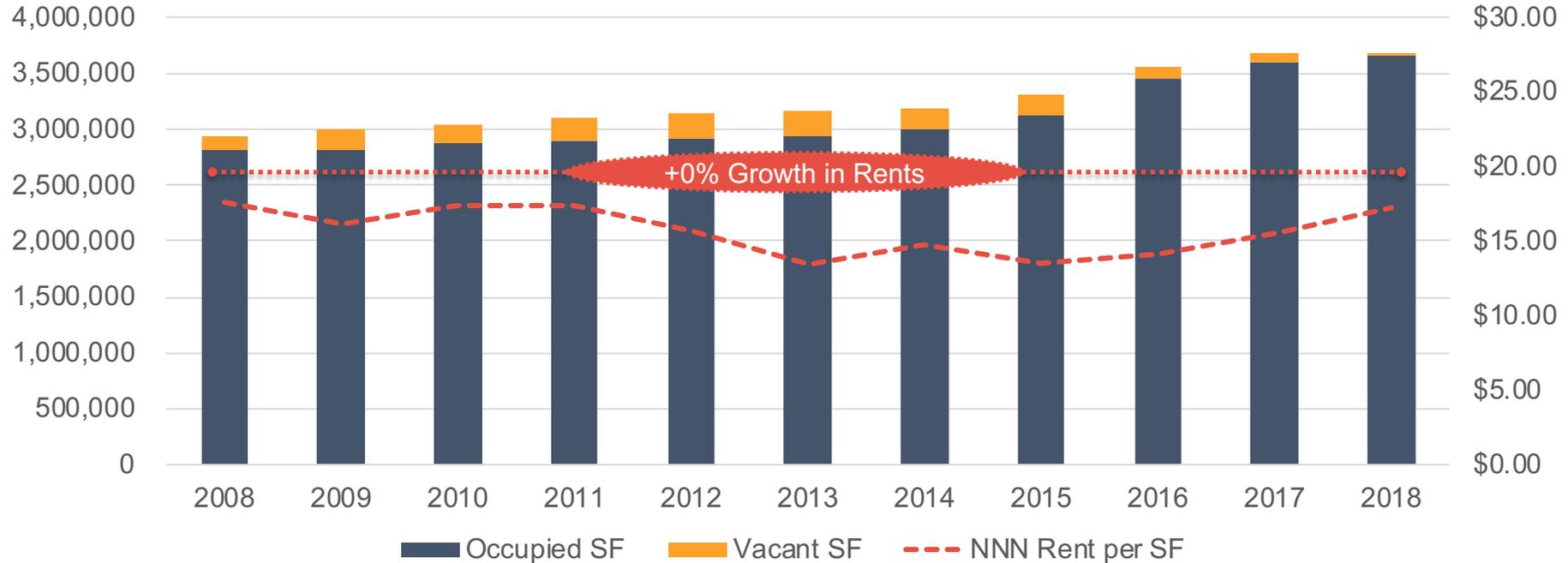
= 41,600 sf

Net Potential Downtown
Retail Demand



Trends in Occupancy and Rents

Retail Inventory and NNN Rents Per Square Foot



Wake Forest Multifamily Market Area



143,000

Total Population

2018: 143K → 2023: 164K
2.7% increase per year

51,000

Total Households

2018: 51K → 2023: 59K
2.7% increase per year

\$71,000

Median Income

2018: 71K → 2023: \$79K
2.0% increase per year



3,800 ↑

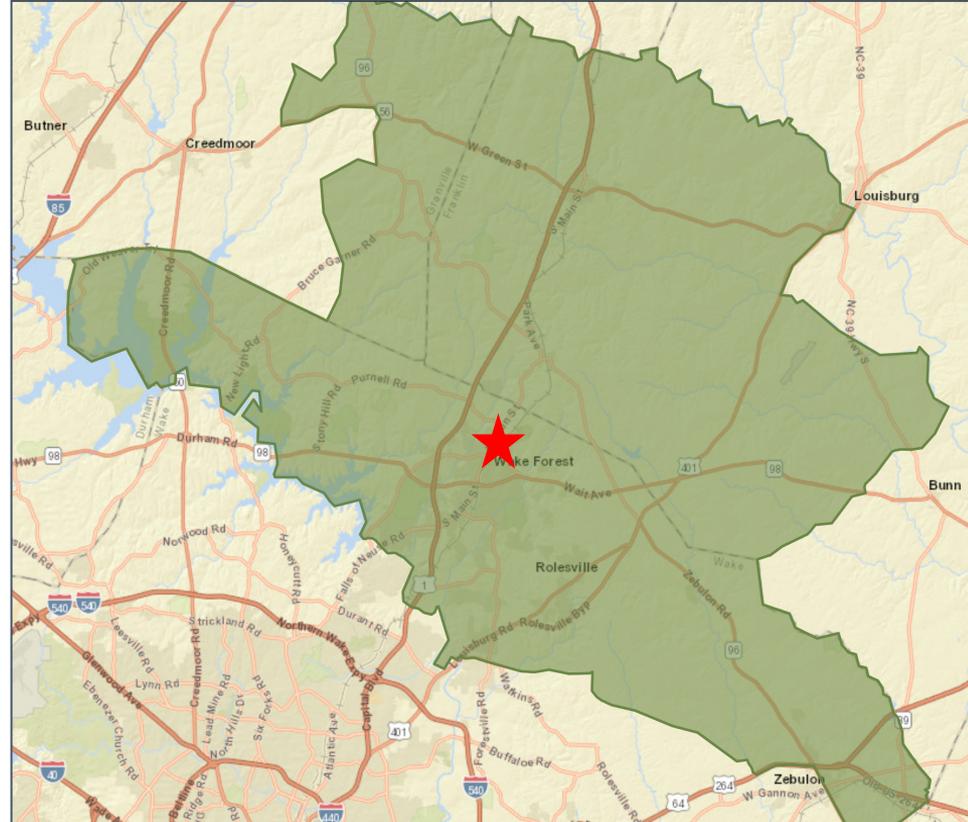
Total Units

10.3% ↓

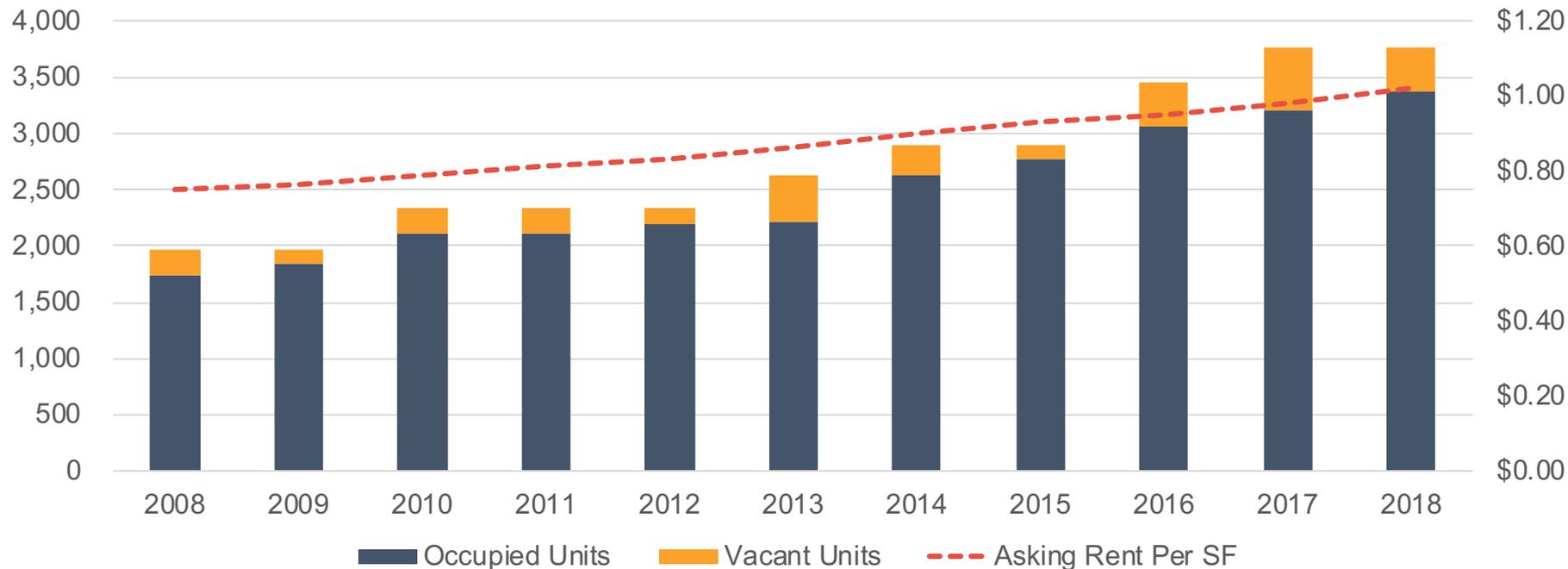
Vacancy Rate

\$1.02 ↑

Average Asking Rent Per Square Foot



Multifamily Supply Doubled Over Last Ten Years



Multifamily Supply and Demand in Downtown

Projecting 2023 Multifamily Demand



! No Current Class A Multifamily Supply in Downtown

Multifamily Supply-Demand Gap

80-160	Market-Rate Renters in Study Area
- 18-84	Class A Multifamily Under Construction
<hr/>	
= 62-76 units*	Class A Multifamily Potential Demand

*Limited Multifamily Market Gap in Downtown

Wake Forest Office Market Area



4,700
Total Businesses

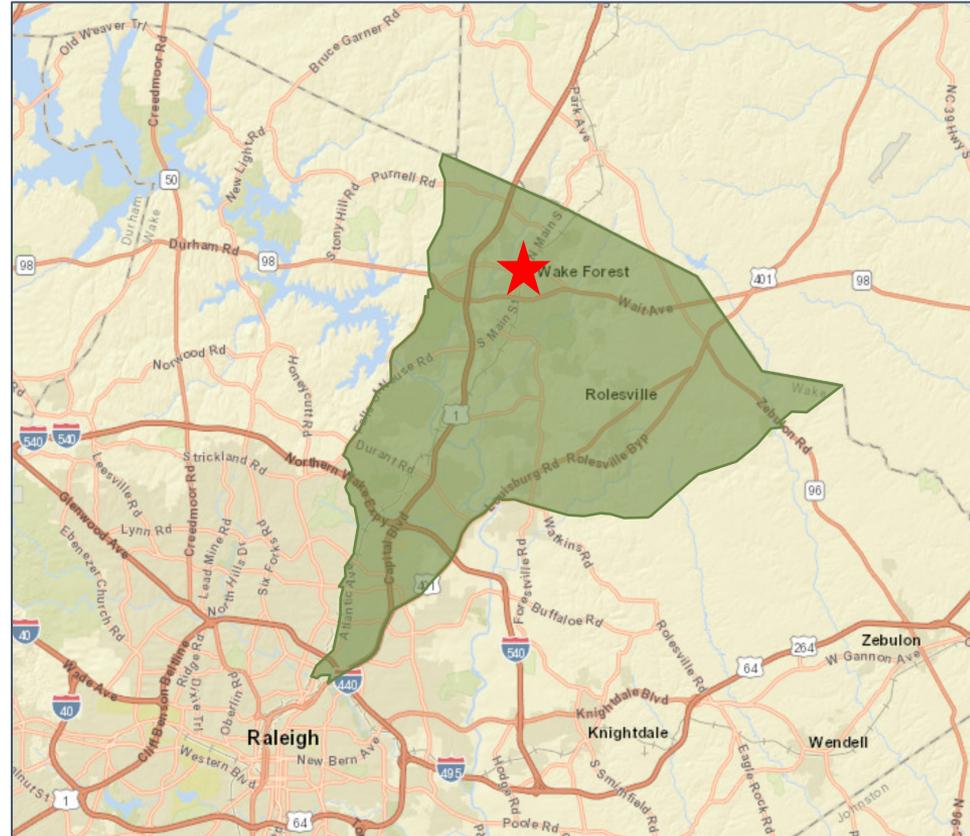
58,000
Total Employees



3.7M ↑
Total Square Feet
Class A & B*

3.9% ↓
Vacancy Rate
Class A & B

\$19.75 ↑
Median Rent
Per Square Foot
Class A & B



Trends Suggest Minimal Downtown Office Demand

Office Demand	Market Area	Downtown*
Current demand @ stable vacancy* (SF)	115K	570 – 1,100
Projected new demand by 2023** (SF)	160K- 270K	800 – 2,700
Total Office Demand (SF)	275K – 385K	1,370 – 3,800

*Downtown historically captured 0.5% - 1% of office space in market area

**Wake Forest Class A and B office market somewhat constrained at 3.9% vacancy. A stable vacancy is roughly 7%.

***Based on an estimated 1,100 new office jobs in market area by 2023.



**No Class A Office
Space in Downtown**

Market Analysis Summary

- Significant potential retail demand in downtown over next five years (up to 42,000 sf).
 - However, rent growth minimal and may pose challenge.
 - Addition of townhomes in downtown will likely expand demand further.
- Historical trends indicate minimal multifamily apartment (up to 76 units) and office demand (up to 3,800 sf) in downtown.
 - Analysis limited by lack of existing supply. However,
 - notable growth in market areas shows potential for catalytic new development in downtown; and
 - Powerhouse Row may “prove” market for multifamily.

Guiding Public Interests

What are Guiding Public Interests?

What public interests are....

Values

Broad

Relevant

Reflect tradeoffs

Input for criteria to select development partner

What they are not....

Specific

Defined

For example, the plan may include:

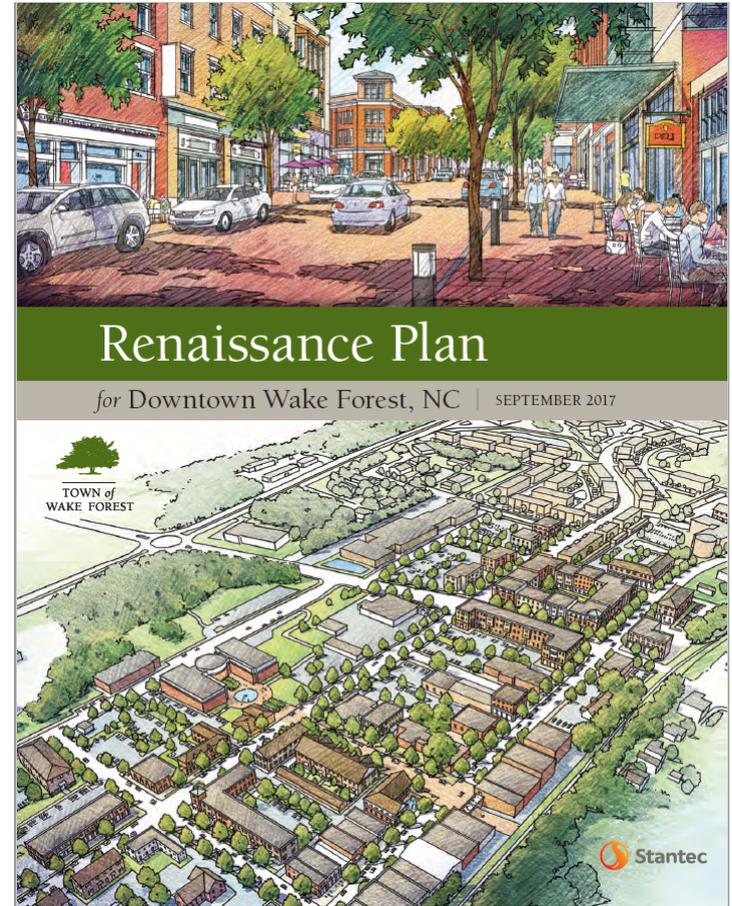
- # of parking spaces
- # and mix of units at each level of affordability
- Total commercial and public space, etc.

Public investment scenarios

Establishing Guiding Public Interests

The guiding public interests were established through:

- BOC and Town staff input
- Review of current strategic plans
- Public statements
- Local stakeholder conversations



Proposed Guiding Public Interests

Redevelopment of the SunTrust building site should:

- Connect the downtown historic core and Renaissance Plaza and serve as a gateway to downtown.
- Incorporate engaging street-level uses to increase pedestrian activity along White, Elm and Brooks Street.
- Provide sufficient parking to meet needs of development and other downtown uses.
- Minimize public investment and maximize private investment.

Next Steps

- Board endorses guiding public interests.
- Town engages architect for DFI site analysis.
- Once site and financial analysis is completed, DFI will present program recommendations to Board.

dfi development
finance
initiative



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